

**KINGSTON COMMUNITY SCHOOLS**

Kingston, Michigan

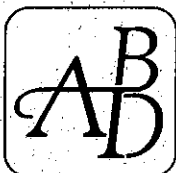
**REPORT ON FINANCIAL STATEMENTS**

(with required supplementary and  
additional information)

June 30, 2008

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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July 17, 2008

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Kingston Community Schools  
Kingston, Michigan 48741

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kingston Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Kingston Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kingston Community Schools as of June 30, 2008 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2008, on our consideration of the Kingston Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Board of Education  
Kingston Community Schools  
July 17, 2008

The management's discussion and analysis and budgetary comparison information on pages i through vi and page 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Kingston Community Schools' basic financial statements. The additional information on pages 23 to 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**Kingston Community Schools**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2008**

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Kingston Community School District, a K-12 school district located in Tuscola County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Kingston Community School District administration's discussion and analysis of the financial results for the fiscal years ended June 30, 2008 and June 30, 2007.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

**Fund Financial Statements**

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long – Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds and Debt Service Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**Government-wide Financial Statements**

The government-wide financial statements are required by GASB 34. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

**Kingston Community Schools**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2008**

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**Summary of Net Assets**

The following schedule summarizes the net assets at fiscal year ended June 30, 2008 and 2007:

<b>Assets</b>	<b>6/30/2008</b>	<b>6/30/2007</b>
Current assets	\$ 2,636,415	\$ 2,435,208
Capital assets	12,765,953	12,765,953
Less: Accumulated depreciation	(5,699,711)	(5,354,947)
Capital assets, net book value	<u>7,066,242</u>	<u>7,411,006</u>
Total assets	<u>\$ 9,702,657</u>	<u>\$ 9,846,214</u>
<b>Liabilities</b>		
Current liabilities	\$ 1,362,728	\$ 1,421,820
Long-term liabilities	<u>6,529,549</u>	<u>6,762,218</u>
Total liabilities	7,892,277	8,184,038
<b>Net Assets</b>		
Invested in capital assets, net of related debt	353,242	475,968
Restricted for debt service	376,492	315,526
Restricted for Woloshen	135,641	133,948
Unrestricted	<u>945,005</u>	<u>736,734</u>
Total net assets	<u>1,810,380</u>	<u>1,662,176</u>
Total liabilities and net assets	<u>\$ 9,702,657</u>	<u>\$ 9,846,214</u>

**Analysis of Financial Position**

During the fiscal year ended June 30, 2008, the District's net assets increased by \$203,566. A few of the more significant factors affecting net assets during the year are discussed below.

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal years ended June 30, 2008 and June 30, 2007, \$344,765 and \$360,990 were recorded for depreciation expense.

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2008, \$0 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

**Kingston Community Schools**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2008**

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$344,765 for the fiscal year ended June 30, 2008.

**Results of Operations**

For the fiscal year ended June 30, 2008 and 2007, the results of operations, on a District-wide basis, were:

	Year Ended June 30, 2008		Year Ended June, 30, 2007	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property Taxes	\$ 793,724	13.13%	\$ 754,886	12.49%
Investment earnings	37,346	0.62%	62,525	1.03%
State sources	4,566,593	75.75%	4,593,390	76.01%
Other	122,009	2.02%	138,221	2.29%
Total general revenues	5,519,672	91.52%	5,549,022	91.82%
<b>Program Revenues</b>				
Charges for services	205,295	3.40%	180,679	2.99%
Operating grants	306,837	5.08%	313,761	5.19%
Total revenues	\$ 6,031,804	100.00%	\$ 6,043,462	100.00%
<b>Expenses</b>				
Instruction	\$ 2,999,055	51.46%	\$ 3,246,329	53.38%
Support services	1,702,625	29.21%	1,723,944	28.35%
Community services	101,536	1.74%	-	0.00%
Food services	259,487	4.45%	240,212	3.95%
Athletics	137,297	2.36%	128,987	2.12%
Interest on long-term debt	250,224	4.29%	260,487	4.28%
Unallocated depreciation expense	344,765	5.92%	360,990	5.94%
Other	33,249	0.57%	120,371	1.98%
Total expenses	\$ 5,828,238	100.00%	\$ 6,081,320	100.00%
Increase in net assets	203,566		(37,858)	

**Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levied 16.9886 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the district levied \$281,011 non-homestead property taxes. This represented an increase of \$20,214 from the prior year. The amount of unpaid property taxes at June 30, 2008, less an estimate for those deemed to be un-collectible, was \$2,800.

**Kingston Community Schools**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2008**

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The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	Increase (Decrease) from prior year
2007 – 2008	\$281,011	\$20,214
2006 – 2007	260,797	6,783
2005 – 2006	254,014	5,349
2004 – 2005	248,665	15,652
2003 – 2004	233,013	9,425

## **2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2007 – 2008 fiscal year, the District's foundation allowance was \$7,204 per student FTE, which represented an increase of 1.19 % over the amount received for the 2006 – 2007 fiscal year.

## **3. Student Enrollment**

The following schedule lists the actual blended student FTE for the past five fiscal years:

	Actual Blended Student FTE
2007 – 2008	648
2006 – 2007	654
2005 – 2006	649
2004 – 2005	668
2003 – 2004	663

## **4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state and other operating grants accounted for \$306,837. This represents a decrease of \$6,924 over the total grant sources received for the 2007 – 2008 fiscal year.

## **5. Interest Earnings**

The District received interest on its investments in the amount of \$37,346 for the fiscal year ended June 30, 2008. This represents a decrease over the prior fiscal year of \$25,179, due to a large amount of QZAB interest last year.

## **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1<sup>st</sup>. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30<sup>th</sup>.

For the 2007 – 2008 fiscal year, the district amended the general fund budget two times with the Board



**Kingston Community Schools**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2008**

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adopting the final changes in June 2008. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget positive (negative)	% Variance
Total revenues	<u>\$ 5,018,644</u>	<u>\$ 5,194,549</u>	<u>\$ 5,202,039</u>	<u>\$ 7,490</u>	<u>0.14%</u>
Expenditures					
Instruction	\$ 2,940,005	\$ 2,993,392	\$ 2,999,777	\$ (6,385)	-0.21%
Supporting services	1,897,022	1,779,268	1,702,934	76,334	4.29%
Other	<u>248,673</u>	<u>288,793</u>	<u>283,980</u>	<u>4,813</u>	<u>1.67%</u>
Total expenditures	<u>\$ 5,085,700</u>	<u>\$ 5,061,453</u>	<u>\$ 4,986,691</u>	<u>\$ 74,762</u>	<u>5.74%</u>

### **Capital Asset and Debt Administration**

#### **Capital Assets**

By the end of the 2007 – 2008 fiscal year, the district had invested \$12,765,953 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents no change over the prior fiscal year. Net depreciation expense for the year amounted to \$344,765, bringing the accumulation to \$5,699,711 as of June 30, 2008.

#### **Long-term Debt**

At June 30, 2008, the District had \$6,816,549 in long-term debt outstanding. This represents a reduction of \$223,069 over the amount outstanding at the close of the prior fiscal year.

#### **Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2008 – 2009 fiscal year. The early indication is that the foundation allowance for 2008 – 2009 will remain uncertain well into the fiscal year which will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. However, the State has decreased the retirement rate from 17.74% to 16.72% through September 30, 2008 to fund the retirement system. The increase in the number of retirees projected to occur over the next few years may result in higher annual increases.
- The contract with the Kingston Community Schools Education Association, the union that represents the teaching staff, expires August 31, 2009.

**Kingston Community Schools**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2008

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- The state of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

Joseph Murphy, Superintendent  
Kingston Community Schools  
5790 State St.  
Kingston, MI 48741  
(989) 683-2294

## BASIC FINANCIAL STATEMENTS

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
June 30, 2008

	<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>
CURRENT ASSETS:		
Cash and equivalents		\$ 1,326,801
Investments		423,919
Accounts receivable		18,080
Due from other governmental units		864,815
Property taxes receivable		2,800
		<hr/>
TOTAL CURRENT ASSETS		2,636,415
		<hr/>
NONCURRENT ASSETS:		
Capital assets		12,765,953
Less accumulated depreciation		(5,699,711)
		<hr/>
TOTAL NONCURRENT ASSETS		7,066,242
		<hr/>
<b>TOTAL ASSETS</b>		<b><u>\$ 9,702,657</u></b>
		<hr/>
	<b>LIABILITIES AND NET ASSETS</b>	
CURRENT LIABILITIES:		
Accounts payable		\$ 26,498
Accrued salaries and wages		363,949
Accrued employee benefits		117,749
Deferred Revenue		2,174
State aid note payable		500,000
Accrued interest payable		65,358
Bus Notes Payable		12,000
Current portion of long term debt		275,000
		<hr/>
TOTAL CURRENT LIABILITIES		1,362,728
		<hr/>
NONCURRENT LIABILITIES:		
Bonds Payable		6,426,000
Compensated absences		103,549
		<hr/>
TOTAL NONCURRENT LIABILITIES		6,529,549
		<hr/>
NET ASSETS:		
Invested in capital assets, net of related debt		353,242
Restricted for debt service		376,492
Restricted for Woloshen		135,641
Unrestricted		945,005
		<hr/>
TOTAL NET ASSETS		1,810,380
		<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b><u>\$ 9,702,657</u></b>
		<hr/>

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 2,999,055	\$ 70,058	\$ 103,002	\$ (2,825,995)
Support services	1,702,625	30,025	44,144	(1,628,456)
Community service	101,536			(101,536)
Food services	259,487	77,680	159,691	(22,116)
Athletics	137,297	27,532		(109,765)
Public Library	27,620			(27,620)
Woloshen	4,367			(4,367)
Interest on long-term debt	250,224			(250,224)
Other	1,262			(1,262)
Unallocated depreciation	344,765			(344,765)
Total governmental activities	<u>\$ 5,828,238</u>	<u>\$ 205,295</u>	<u>\$ 306,837</u>	<u>(5,316,106)</u>
General revenues:				
Property taxes, levied for general purposes				281,234
Property taxes, levied for debt service				512,490
State of Michigan school aid unrestricted				4,566,593
Investment revenue				37,346
Penal fines				29,837
Miscellaneous				92,172
Total general revenue				<u>5,519,672</u>
Change in net assets				203,566
Net assets, beginning of year				1,662,176
QZAB Note Adjustment				<u>(55,362)</u>
Net assets, end of year				<u>\$ 1,810,380</u>

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2008

	<b>GENERAL FUND</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS:</b>			
Cash and equivalents	\$ 894,894	\$ 431,907	\$ 1,326,801
Investments	386	423,533	423,919
Accounts receivable	18,080		18,080
Due from other governmental units	859,050	5,765	864,815
Due from other funds	245,026	39,078	284,104
<b>TOTAL ASSETS</b>	<b><u>\$ 2,017,436</u></b>	<b><u>\$ 900,283</u></b>	<b><u>\$ 2,917,719</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 25,903	\$ 595	\$ 26,498
Salaries payable	363,949		363,949
Accrued employee benefits	117,749		117,749
Accrued interest	18,488		18,488
Due to other funds	39,078	245,026	284,104
Deferred revenue	2,174		2,174
State aid note payable	500,000		500,000
<b>TOTAL LIABILITIES</b>	<b><u>1,067,341</u></b>	<b><u>245,621</u></b>	<b><u>1,312,962</u></b>
<b>FUND BALANCE:</b>			
Reserved for debt service		441,850	441,850
Undesignated and unreserved	846,546	212,812	1,059,358
Designated for compensated absences	103,549		103,549
<b>TOTAL FUND BALANCE</b>	<b><u>950,095</u></b>	<b><u>654,662</u></b>	<b><u>1,604,757</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 2,017,436</u></b>	<b><u>\$ 900,283</u></b>	<b><u>\$ 2,917,719</u></b>

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets  
June 30, 2008

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 1,604,757</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is:	12,765,953
Accumulated depreciation is:	(5,699,711)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable:	(6,665,000)
Bus notes payable	(48,000)
Compensated absences:	(103,549)
Accrued interest is not reported as a liability in governmental funds; it is recorded when paid:	(46,870)

Balance of taxes receivable at 6/30/08 less allowance for doubtful accounts	<u>2,800</u>
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<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 1,810,380</u></u></b>
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The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<b>GENERAL FUND</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES:</b>			
Local sources	\$ 496,503	\$ 658,678	\$ 1,155,181
State sources	4,555,197	11,396	4,566,593
Federal sources	147,146	159,691	306,837
<b>TOTAL REVENUES</b>	<b>5,198,846</b>	<b>829,765</b>	<b>6,028,611</b>
<b>EXPENDITURES:</b>			
Instruction	2,999,777		2,999,777
Supporting services	1,702,934		1,702,934
Community services	101,536		101,536
Food Service		259,487	259,487
Athletic Activities		137,297	137,297
Public Library		27,620	27,620
Woloshen		4,367	4,367
Debt services:			
Retirement of bonds		265,000	265,000
Interest on debt	2,682	249,692	252,374
Fees		1,262	1,262
<b>TOTAL EXPENDITURES</b>	<b>4,806,929</b>	<b>944,725</b>	<b>5,751,654</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>391,917</b>	<b>(114,960)</b>	<b>276,957</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer to/from other funds	(167,362)	167,362	-
Principal on bus loan	(12,400)		(12,400)
Payments from ISD	3,193		3,193
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(176,569)</b>	<b>167,362</b>	<b>(9,207)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<b>215,348</b>	<b>52,402</b>	<b>267,750</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>734,747</b>	<b>602,260</b>	<b>1,337,007</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 950,095</b>	<b>\$ 654,662</b>	<b>\$ 1,604,757</b>

The accompanying notes are an integral part of the financial statements.



**KINGSTON COMMUNITY SCHOOLS**  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
June 30, 2008

<b>Total net change in fund balances--governmental funds</b>	<b>\$ 267,750</b>
--	-------------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(344,765)
Capital outlay	-

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

Repayment of bond principal	265,000
-----------------------------	---------

Bus note repayments and proceeds affect long term liabilities in the statement of net assets and does not affect the statement of activities.

Repayment of bus note principal	12,400
Bus loan proceeds	-

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

Accrued interest payable at the beginning of the year	49,020
Accrued interest payable at the end of the year	(46,870)

Accrued compensated absences are recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid.

Accrued absences at the beginning of the year	104,580
Accrued absences at the end of the year	<u>(103,549)</u>

<b>Change in net assets of governmental activities</b>	<b><u>\$ 203,566</u></b>
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The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
June 30, 2008

	<u><b>AGENCY FUNDS</b></u>
<u><b>ASSETS</b></u>	
Cash	\$ 56,924
<b>TOTAL ASSETS</b>	<u><b>\$ 56,924</b></u>
<u><b>LIABILITIES AND NET ASSETS</b></u>	
Due to student organizations	\$ 56,924
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 56,924</b></u>

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The basic financial statements of the Kingston Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

In 2004, the District implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement No. 38, *Certain Financial Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, district-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that district-wide financial statements are needed to allow user's of financial reports to access a government's operational accountability. The new GASB model integrates fund-based financial reporting and district-wide financial reporting as complementary components of a single comprehensive financial reporting model.

**REPORTING ENTITY:**

The Kingston Community Schools (the "District") is governed by the Kingston Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. Also, based on the same criteria, there are no potential component units of government which are required to be included in the reporting entity for Kingston Community Schools.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):**

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**GOVERNMENTAL FUNDS**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**OTHER NON-MAJOR FUNDS**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, library, athletic activities, and the Woloshen account in the special revenue funds.

*Fiduciary funds* account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

The *debt service fund* accounts for the receipt of debt proceeds and that acquisition of fixed assets or construction of major capital projects.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:**

**Accrual Method:**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method:**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Foundation Revenue:**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2007 - August 2008. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units.

**State Categorical Revenue:**

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):**

**Federal Revenue:**

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

**OTHER ACCOUNTING POLICIES**

**Cash and Cash equivalents:**

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**Short-term Interfund Receivables/Payables:**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**Property Taxes:**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual date is February 15, after which time the bill becomes delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<b><u>FUND</u></b>	<b><u>MILLS</u></b>
General Fund – Non Homestead	16.9886
Debt Service Funds	6.1500

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion on interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**Capital Assets:**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$3,000. Group purchases are evaluated on a case-by-case basis.

**Compensated Absences:**

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirement.

**Unemployment Insurance:**

The District reimburses the Michigan Employment Security Agency (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the District. Billings received for amounts paid by the MESA through June 30, 2008 are accrued, if material.

**Long-term obligations:**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**KINGSTON COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**Use of Estimates:**

The process of preparing general purpose financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the State law the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Board of Education requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general, special revenue, and debt service funds. These budgets are adopted on a basis consistent with generally accepted accounting principals (GAAP).
5. Appropriations lapse at the end of each fiscal year.
6. The Board of Education may authorize supplemental appropriations during the year. The Board of Education authorized budget amendments during the fiscal year at their regular scheduled board meetings.



**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:**

Cash and cash equivalents are held separately in the name of the district by each of the district's funds.

As of June 30, 2008, the District had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
MILAF External pool - MICMS	\$ 390	0.0027	AAAm	0.09%
MILAF External pool - MIMAX	135,637	0.0027	AAAm	32.00%
Guaranteed Investment Contract (GIC)	287,892	7.0000	A1+	67.91%
Total fair value	<u>\$ 423,919</u>			100.00%
Portfolio weighted average maturity		<u>4.7547</u>		

1 day maturity equals 0.0027, one year equals 1.00

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2008, the carrying amount of the District's deposits was \$1,383,725 and the bank balance was \$1,504,700. Of the bank balance, \$487,972 was covered by federal deposit insurance while the remaining bank balance of \$1,016,728 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK (Continued):**

**Custodial credit risk – investments, (Continued).** The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the Note Payable Disclosed in Note 7.

The Investment Agreement, dated as of November 1, 2002, by and among Bank of New York Trust Company, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia Bank, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 103% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 2.60% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia Bank, as guarantor of the Provider's obligations under this Investment Agreement.

**Foreign currency risk.** The District is not authorized to invest in investments that have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$56,924	\$ 1,383,725
Investments	<u>423,919</u>
	<u><u>\$ 1,807,644</u></u>

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 1,326,801
Fiduciary Funds	56,924
Investments - District wide	<u>423,919</u>
	<u><u>\$ 1,807,644</u></u>

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 4 –DUE FROM OTHER GOVERNMENTAL UNITS:**

Receivables at June 30, 2008 consist of the following:

State Aid	\$ 821,289
State of Michigan	3,737
Title I	37,735
Title II	118
Tuscola ISD	536
Macomb ISD	1,400
Total	<u>\$ 864,815</u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

**NOTE 5 –CAPITAL ASSETS:**

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>July 1, 2007</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2008</u>
Capital assets:				
Land	\$ 28,200			\$ 28,200
Building and Improvements	11,078,021			11,078,021
Furniture and equipment	<u>1,659,732</u>			<u>1,659,732</u>
Total Capital Assets	12,765,953	-	-	12,765,953
Accumulated depreciation:				
Building and Improvements	(4,028,892)	\$ (239,902)		(4,268,794)
Furniture and equipment	<u>(1,326,054)</u>	<u>(104,863)</u>		<u>(1,430,917)</u>
Total Accumulated depreciation:	<u>(5,354,946)</u>	<u>(344,765)</u>	-	<u>(5,699,711)</u>
Net capital assets	<u>\$7,411,007</u>	<u>\$ (344,765)</u>	<u>\$ -</u>	<u>\$ 7,066,242</u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$344,765.

**NOTE 6- DEFERRED REVENUE:**

The deferred revenue at June 30, 2008 is as follows:

Preschool	\$ 1,100
At-risk	1,074
Total Deferred Revenue	<u>\$ 2,174</u>

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 7- LONG TERM DEBT:**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2005 general obligation refunding bonds due in annual installments of \$25,000 to \$170,000 through May 1, 2018 with interest at 3.0% to 3.9%.	\$ 1,575,000
2002 general obligation refunding bonds due in annual installments of \$40,000 to \$75,000 through May 1, 2018 with interest at 4.00% to 5.00%	500,000
2002E general obligation bonds due in annual installments of \$50,000 to \$275,000 through May 1, 2028 with interest at 3.00% to 4.85%	3,590,000
Qualified zone academy bonds – 15 annual payments of \$55,362 from November 1, 2003 through 2017 will be paid into a bank escrow account with the entire principal amount due November 1, 2017.	<u>1,000,000</u>
Total general obligation bonds	6,665,000
\$60,400 October 6, 2006, bus contract due in five annual principal installments of \$12,400 on November 1, 2007 and \$12,000 on November 1, 2008 through 2011. Interest at 4.44%	48,000
Obligation under contract for compensated absences	<u>103,549</u>
Total long-term debt	<u><u>\$ 6,816,549</u></u>

During the year ended June 30, 2005 the District refinanced the 1996 bonds. New general obligation bonds were issued at a premium of \$27,625 after paying issuance costs of \$59,664, the net proceeds were \$1,787,961. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are paid off on May 1, 2018. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$200,923.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 7- LONG TERM DEBT, (Continued):**

The annual requirements to amortize the long-term obligations as of June 30, 2008 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 287,000	\$ 245,294	\$ 532,294
2010	297,000	235,367	532,367
2011	312,000	224,818	536,818
2012	322,000	212,543	534,543
2013	325,000	199,630	524,630
2014 - 2018	2,825,000	788,422	3,613,422
2019 - 2023	1,050,000	462,778	1,512,778
2024 - 2028	<u>1,295,000</u>	<u>191,657</u>	<u>1,486,657</u>
	\$6,713,000	\$2,560,509	9,273,509
Obligation under contract for compensated	<u>103,549</u>		<u>103,549</u>
Total long-term debt and interest	<u><u>6,816,549</u></u>	<u><u>2,560,509</u></u>	<u><u>\$ 9,377,058</u></u>

An amount of \$441,850 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2008 was \$270,862.

The following is a summary of the changes in liabilities reported in the general long- term debt account group:

	<u>Balance June 30,2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30,2008</u>	<u>Due within one year</u>
General					
Obligation bond	\$ 6,874,638	\$ -	\$ 265,000	\$ 6,609,638	\$ 275,000
Compensated Absences	104,580		1,031	103,549	-
Bus Contracts	<u>60,400</u>	<u>-</u>	<u>12,400</u>	<u>48,000</u>	<u>12,000</u>
Totals	\$ 7,039,618	\$ -	\$ 278,431	\$ 6,761,187	\$ 287,000

**KINGSTON COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 8 –EMPLOYEE RETIREMENT SYSTEM- DEFINED BENEFIT PLAN:**

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2008 was 17.74% through September 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007, and 2006, were \$485,671, \$500,926, and \$504,661, respectively, and were equal to the required contribution for the year.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other post-employment benefits – Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 9 - RISK MANAGEMENT:**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the state of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

**Health Reimbursement Arrangement**

Effective March 1, 2007, the School adopted a Health Reimbursement Arrangement that covers all full-time (40 hours per week) employees who are covered by the District's group medical plan. The HRA reimburses covered employees for deductibles under the District's group medical plan. Reimbursement limits are \$1,250 for a single person and \$2,500 for a two-party/family per year and unused amounts are forfeited. Claims for reimbursement may be submitted up to 90 days after the end of the coverage period.

**NOTE 10 – TRANSFERS:**

The transfers between funds for the fiscal year ended June 30, 2008 were as follows:

	<u>TO</u>	<u>FROM</u>
General Fund		\$167,362
Athletic Fund	\$112,000	
QZAB Bond	55,362	-
	<u>\$167,362</u>	<u>\$167,362</u>

The transfer to the Athletic Fund was for operations and the transfer to QZAB Bond Fund was for note repayment set aside requirements.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 11 – DUE TO AND FROM OTHER FUNDS:**

Due to and from other funds balances at June 30, 2008 are as follows:

	<b><u>DUE FROM OTHER FUNDS</u></b>	<b><u>DUE TO OTHER FUNDS</u></b>
General Fund	\$ 245,026	\$ 39,078
Special Revenue Fund:		
Public Library		5,498
Athletics		138,616
Hot Lunch	39,078	100,912
	<u>39,078</u>	<u>100,912</u>
Total	<u>\$ 284,104</u>	<u>\$ 284,104</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**NOTE 12 – NOTE PAYABLE**

At June 30, 2008 the District has a note payable outstanding of \$500,000. The note matures August 20, 2008 and has an interest rate of 3.95%. The note is secured by the full faith and credit of the District as well as pledged state aid.

<b><u>Balance June 30, 2007</u></b>	<b><u>Additions</u></b>	<b><u>Payments</u></b>	<b><u>Balance June 30, 2008</u></b>
<u>\$ 550,000</u>	<u>\$ 500,000</u>	<u>\$ 550,000</u>	<u>\$ 500,000</u>

**NOTE 13 – SUBSEQUENT EVENTS**

The District has approved borrowing \$450,000 for fiscal year 2009 to replace the note payable as described in Note 12.



## REQUIRED SUPPLEMENTAL INFORMATION

**KINGSTON COMMUNITY SCHOOLS**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>GENERAL FUND</b>			<b>VARIANCE</b>
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Local sources	\$ 417,174	\$ 478,891	\$ 496,503	\$ 17,612
State sources	4,455,046	4,566,870	4,555,197	(11,673)
Federal sources	143,924	146,138	147,146	1,008
<b>TOTAL REVENUES</b>	<b>5,016,144</b>	<b>5,191,899</b>	<b>5,198,846</b>	<b>6,947</b>
<b>EXPENDITURES</b>				
Instruction	2,940,005	2,993,392	2,999,777	(6,385)
Supporting services	1,897,022	1,779,268	1,702,934	76,334
Community services	65,307	106,349	101,536	4,813
Debt service	-	2,682	2,682	-
<b>TOTAL EXPENDITURES</b>	<b>4,902,334</b>	<b>4,881,691</b>	<b>4,806,929</b>	<b>74,762</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>113,810</b>	<b>310,208</b>	<b>391,917</b>	<b>81,709</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer to other funds	(170,966)	(167,362)	(167,362)	-
Principal on bus loan	(12,400)	(12,400)	(12,400)	-
Payments from ISD	2,500	2,650	3,193	543
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(180,866)</b>	<b>(177,112)</b>	<b>(176,569)</b>	<b>543</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	<b>(67,056)</b>	<b>133,096</b>	<b>- 215,348</b>	<b>82,252</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>734,747</b>	<b>734,747</b>	<b>734,747</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 667,691</b>	<b>\$ 867,843</b>	<b>\$ 950,095</b>	<b>\$ 82,252</b>

## ADDITIONAL INFORMATION

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
June 30, 2008

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>DEBT RETIREMENT</u>	<u>2008</u>
<b><u>ASSETS</u></b>			
Cash and equivalents	\$ 277,949	\$ 153,958	\$ 431,907
Investments	135,641	287,892	423,533
Due from other governmental units	5,765		5,765
Due from other funds	39,078	-	39,078
<b>TOTAL ASSETS</b>	<b><u>\$ 458,433</u></b>	<b><u>\$ 441,850</u></b>	<b><u>\$ 900,283</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Accounts payable	\$ 595		\$ 595
Due to other funds	245,026	-	245,026
<b>TOTAL LIABILITIES</b>	<b><u>245,621</u></b>	<b><u>-</u></b>	<b><u>245,621</u></b>
<b><u>FUND BALANCE</u></b>			
Reserved		\$ 441,850	441,850
Unreserved	212,812	-	212,812
<b>TOTAL FUND BALANCE</b>	<b><u>212,812</u></b>	<b><u>441,850</u></b>	<b><u>654,662</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 458,433</u></b>	<b><u>\$ 441,850</u></b>	<b><u>\$ 900,283</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN NONMAJOR FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>DEBT RETIREMENT</u>	<u>2008</u>
REVENUES			
Local sources	\$ 142,702	\$ 515,976	\$ 658,678
State sources	11,396	-	11,396
Federal sources	159,691		159,691
<b>TOTAL REVENUES</b>	<b>313,789</b>	<b>515,976</b>	<b>829,765</b>
EXPENDITURES			
Salaries and wages	173,081		173,081
Employee benefits	50,655		50,655
Dues and Fees	5,037		5,037
Food and supplies	161,652		161,652
Purchased services	31,429		31,429
Insurance	2,160		2,160
Workshop & conference	1,768		1,768
Debt Service:			
Retirement of bonds		265,000	265,000
Interest on bonded debt		249,692	249,692
Fees		1,262	1,262
Capital outlay	995		995
Miscellaneous	1,994		1,994
<b>TOTAL EXPENDITURES</b>	<b>428,771</b>	<b>515,954</b>	<b>944,725</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(114,982)</u>	<u>22</u>	<u>(114,960)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers	112,000	55,362	167,362
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>112,000</b>	<b>55,362</b>	<b>167,362</b>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(2,982)</u>	<u>55,384</u>	<u>52,402</u>
FUND BALANCE AT BEGINNING OF YEAR	215,794	386,466	602,260
FUND BALANCE AT END OF YEAR	<u>\$212,812</u>	<u>\$ 441,850</u>	<u>\$ 654,662</u>

**KINGSTON COMMUNITY SCHOOLS**  
**BALANCE SHEETS**  
**GENERAL FUND**  
**June 30, 2008**

	<u><b>2008</b></u>
<b><u>ASSETS</u></b>	
Cash and equivalents	\$ 894,894
Investments	386
Accounts receivable	18,080
Due from other governmental units	859,050
Due from other funds	<u>245,026</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,017,436</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>	
Accounts payable	\$ 25,903
Salaries payable	363,949
Accrued employee benefits	117,749
Accrued interest	18,488
Deferred revenue	2,174
State aid note payable	500,000
Due to other funds	<u>39,078</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,067,341</u></b>
 <b><u>FUND BALANCE</u></b>	
Fund balances:	
Designated for compensated absences	103,549
Undesignated and unreserved	<u>846,546</u>
<b>TOTAL FUND BALANCE</b>	<b><u>950,095</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 2,017,436</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
LOCAL SOURCES:			
Property taxes	\$ 281,248	\$ 281,234	\$ (14)
Interest earnings	25,990	26,182	192
TISD Special education	16,499	16,499	-
Tuition	9,242	9,242	-
Use of property	3,065	3,065	-
Community services-tuition	87,100	90,841	3,741
Miscellaneous	55,747	69,440	13,693
TOTAL REVENUE FROM LOCAL SOURCES	<u>478,891</u>	<u>496,503</u>	<u>17,612</u>
STATE SOURCES:			
State school aid	4,274,515	4,265,013	(9,502)
Special education	111,954	111,955	1
At risk	136,161	135,088	(1,073)
School readiness	37,400	36,300	(1,100)
Career prep	-	-	-
Miscellaneous	6,840	6,841	1
TOTAL REVENUE FROM STATE SOURCES	<u>4,566,870</u>	<u>4,555,197</u>	<u>(11,673)</u>
FEDERAL SOURCES:			
Title I	100,797	100,798	1
Tech prep	2,000	3,007	1,007
Title II, Part A	40,332	40,332	-
Title II, Part D	810	810	-
Drug- Free grant	1,500	1,500	-
Title V	699	699	-
TOTAL REVENUE FROM FEDERAL SOURCES	<u>146,138</u>	<u>147,146</u>	<u>1,008</u>
TOTAL REVENUES	<u>5,191,899</u>	<u>5,198,846</u>	<u>6,947</u>
OTHER FINANCING SOURCES:			
Payments from ISD	2,650	3,193	543
TOTAL OTHER FINANCING SOURCES	<u>2,650</u>	<u>3,193</u>	<u>543</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 5,194,549</u>	<u>\$ 5,202,039</u>	<u>\$ 7,490</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
ELEMENTARY			
Salaries	\$ 883,711	\$ 883,675	\$ 36
Employee benefits	422,021	421,530	491
Purchased services	35,709	35,368	341
Teaching supplies	28,492	35,129	(6,637)
Capital outlay	-	-	-
Miscellaneous	-	-	-
Total Elementary	<u>1,369,933</u>	<u>1,375,702</u>	<u>(5,769)</u>
HIGH SCHOOL:			
Salaries	685,551	685,715	(164)
Employee benefits	312,570	312,576	(6)
Teaching supplies	18,984	24,828	(5,844)
services	21,995	21,097	898
Capital outlay	525	525	-
Miscellaneous	1,600	1,009	591
Total High School	<u>1,041,225</u>	<u>1,045,750</u>	<u>(4,525)</u>
PRE-SCHOOL:			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	31,300	31,300	-
Teaching supplies	-	-	-
Capital outlay	-	-	-
Miscellaneous	-	-	-
Total Pre-School	<u>31,300</u>	<u>31,300</u>	<u>-</u>
TOTAL BASIC PROGRAMS	<u>2,442,458</u>	<u>2,452,752</u>	<u>(10,294)</u>



**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
ADDED NEEDS:			
TITLE I			
Salaries	\$ 77,762	\$ 77,760	\$ 2
Employee benefits	21,606	21,595	11
Purchased services	-	-	-
Teaching supplies	1,443	1,441	2
Capital outlay	-	-	-
Miscellaneous	-	-	-
Total Title I	<u>100,811</u>	<u>100,796</u>	<u>15</u>
AT RISK EDUCATION			
Salaries	73,612	73,611	1
Employee benefits	29,865	26,578	3,287
Purchased services	34,850	34,300	550
Supplies	-	-	-
Capital outlay	-	-	-
Miscellaneous	600	600	-
Total At Risk Education	<u>138,927</u>	<u>135,089</u>	<u>3,838</u>
SPECIAL EDUCATION:			
Salaries	210,050	210,047	3
Employee benefits	91,749	91,745	4
Miscellaneous	-	-	-
Teaching supplies	4,169	4,162	7
Purchased services	5,228	5,186	42
Total Special Education	<u>311,196</u>	<u>311,140</u>	<u>56</u>
TOTAL ADDED NEEDS:	<u>550,934</u>	<u>547,025</u>	<u>3,909</u>
TOTAL INSTRUCTION	<u>2,993,392</u>	<u>2,999,777</u>	<u>(6,385)</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES			
Guidance			
Salaries	-	-	-
Employee Benefits	-	-	-
Purchased services	\$ 8,016	\$ 7,685	\$ 331
Teaching supplies	71	71	-
Capital outlay	-	-	-
Miscellaneous	-	-	-
Total Guidance	<u>8,087</u>	<u>7,756</u>	<u>331</u>
Crossing Guard			
Purchased services	<u>-</u>	<u>-</u>	<u>-</u>
Total crossing guard			
Library			
Salaries	24,042	24,032	10
Employee benefits	6,805	6,800	5
Purchased Services	2,400	1,986	414
Supplies	2,434	2,227	207
Capital outlay	-	-	-
Miscellaneous	<u>3,182</u>	<u>3,182</u>	<u>-</u>
Total library	<u>38,863</u>	<u>38,227</u>	<u>636</u>
Improvement Of Instruction			
Purchased services	<u>4,786</u>	<u>4,695</u>	<u>91</u>
Total improvement of instruction	<u>4,786</u>	<u>4,695</u>	<u>91</u>
Tech Prep			
Purchased services	<u>1,225</u>	<u>1,223</u>	<u>2</u>
Total tech prep	<u>1,225</u>	<u>1,223</u>	<u>2</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES: (CONTINUED)			
General administration			
Board of Education	\$ 4,000	\$ 2,730	\$ 1,270
Election	2,200	1,372	828
Professional fees	11,500	10,509	991
Superintendent salary	89,900	89,900	-
Other salaries	26,520	26,520	-
Purchased services	13,720	12,202	1,518
Supplies	1,300	1,106	194
Employee benefits	65,891	62,528	3,363
Capital outlay	-	-	-
Advertising	500	484	16
Miscellaneous	12,450	12,568	(118)
Total general administration	<u>227,981</u>	<u>219,919</u>	<u>8,062</u>
School administration			
Salaries	246,438	245,542	896
Employee benefits	147,909	139,549	8,360
Purchased services	24,396	18,920	5,476
Office supplies	3,985	3,821	164
Capital outlay	-	-	-
Workshop and conference	1,655	1,654	1
Miscellaneous	650	578	72
Other school administration	817	817	-
Total school administration	<u>425,850</u>	<u>410,881</u>	<u>14,969</u>
Fiscal Service			
Salaries	38,173	38,173	-
Employee benefits	25,858	25,438	420
Purchased services	2,150	1,889	261
Supplies	160	159	1
Capital outlay	-	-	-
Miscellaneous	-	-	-
Total fiscal service	<u>66,341</u>	<u>65,659</u>	<u>682</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES: (CONTINUED)			
Other Business Service			
Taxes abated	\$ 9,700	\$ 9,670	\$ 30
Building and property insurance	11,963	11,963	-
Interest expense	18,489	18,488	1
Total other business service	<u>40,152</u>	<u>40,121</u>	<u>31</u>
Technology			
Salaries	29,875	28,536	1,339
Employee benefits	8,115	7,657	458
Purchased services	30,388	26,856	3,532
Supplies	11,570	9,895	1,675
Capital outlay	3,600	3,570	30
Miscellaneous	222	221	1
Total technology	<u>83,770</u>	<u>76,735</u>	<u>7,035</u>
Operation and maintenance of plant			
Salaries	177,097	174,498	2,599
Employee benefits	131,831	122,605	9,226
Purchased services	43,852	40,657	3,195
Miscellaneous	1,475	963	512
Electricity	108,710	107,575	1,135
Repairs and maintenance	29,400	21,196	8,204
Custodial supplies	35,205	30,072	5,133
Heat	85,124	81,753	3,371
Sewer	23,000	21,823	1,177
Security	-	-	-
Capital outlay	4,673	3,557	1,116
Total operation and maintenance of plant	<u>640,367</u>	<u>604,699</u>	<u>35,668</u>
Pupil transportation			
Salaries	97,242	96,686	556
Employee benefits	25,833	25,395	438
Purchased services	43,370	41,957	1,413
Supplies	73,100	66,719	6,381
Capital outlay	571	571	-
Miscellaneous	1,730	1,691	39
Total pupil transportation	<u>241,846</u>	<u>233,019</u>	<u>8,827</u>
TOTAL SUPPORTING SERVICES	<u>1,779,268</u>	<u>1,702,934</u>	<u>76,334</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES:			
Drivers Education			
Salaries	\$ 7,100	\$ 6,796	\$ 304
Benefits	1,732	1,072	660
Purchased service	-	-	-
Supplies	225	-	225
Miscellaneous	100	-	100
Total Drivers Education	<u>9,157</u>	<u>7,868</u>	<u>1,289</u>
Cardinal Center			
Salaries	74,720	73,551	1,169
Supplies	2,600	2,434	166
Workshop & Conferences	50	-	50
Purchased Services	-	-	-
Dues and fees	750	368	382
Miscellaneous	300	247	
Employee benefits	18,772	17,068	1,704
Total Cardinal Center	<u>97,192</u>	<u>93,668</u>	<u>3,524</u>
CIMS Community Activity	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMMUNITY SERVICES	<u>106,349</u>	<u>101,536</u>	<u>4,813</u>
DEBT SERVICE:			
Interest			
Bus contracts	<u>2,682</u>	<u>2,682</u>	<u>-</u>
Total interest	<u>2,682</u>	<u>2,682</u>	<u>-</u>
TOTAL DEBT SERVICE	<u>2,682</u>	<u>2,682</u>	<u>-</u>
TOTAL EXPENDITURES	4,881,691	4,806,929	74,762
OTHER FINANCING USES			
Principal on bus loan	12,400	12,400	-
Transfer to Other Funds	<u>167,362</u>	<u>167,362</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>179,762</u>	<u>179,762</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,061,453</u>	<u>\$ 4,986,691</u>	<u>\$ 74,762</u>

**KINGSTON COMMUNITY SCHOOLS**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2008

	<u>FOOD SERVICES</u>	<u>PUBLIC LIBRARY FUND</u>	<u>ATHLETIC ACTIVITIES</u>	<u>WOLOSHEN</u>	<u>TOTAL 2008</u>
<b><u>ASSETS</u></b>					
Cash and equivalents	\$ 107,718	\$ 25,161	\$ 145,070	-	\$ 277,949
Investments	-	-	-	\$ 135,641	135,641
Due from other governmental units	2,028	3,737	-	-	5,765
Due from other funds	39,078				39,078
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 148,824</u></b>	<b><u>\$ 28,898</u></b>	<b><u>\$ 145,070</u></b>	<b><u>\$ 135,641</u></b>	<b><u>\$ 458,433</u></b>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 400	\$ 195	-		\$ 595
Due to General Fund	100,912	5,498	\$ 138,616	-	245,026
Deferred revenue	-	-	-	-	-
<b><u>TOTAL LIABILITIES</u></b>	<b><u>101,312</u></b>	<b><u>5,693</u></b>	<b><u>138,616</u></b>	<b><u>-</u></b>	<b><u>245,621</u></b>
<b>FUND BALANCE:</b>					
Fund Balance	47,512	23,205	6,454	\$ 135,641	212,812
<b><u>TOTAL FUND BALANCE</u></b>	<b><u>47,512</u></b>	<b><u>23,205</u></b>	<b><u>6,454</u></b>	<b><u>135,641</u></b>	<b><u>212,812</u></b>
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b><u>\$ 148,824</u></b>	<b><u>\$ 28,898</u></b>	<b><u>\$ 145,070</u></b>	<b><u>\$ 135,641</u></b>	<b><u>\$ 458,433</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>FOOD SERVICES</u>	<u>PUBLIC LIBRARY FUND</u>	<u>ATHLETIC ACTIVITIES</u>	<u>WOLOSHEN</u>	<u>TOTAL 2008</u>
REVENUES:					
Local sources	\$ 79,257	\$ 29,837	\$ 27,548	\$ 6,060	\$ 142,702
State sources	8,802	2,594			11,396
Federal sources	<u>159,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,691</u>
TOTAL REVENUES	<u>247,750</u>	<u>32,431</u>	<u>27,548</u>	<u>6,060</u>	<u>313,789</u>
EXPENDITURES:					
Salaries and wages	90,902	10,792	71,387		173,081
Employee benefits	29,398	2,661	18,596		50,655
Purchased services	7,512	2,045	21,872	-	31,429
Food	127,107				127,107
Supplies	-	10,228	19,950	4,367	34,545
Insurance	-	-	2,160		2,160
Dues and Fees	2,245	1,474	1,318		5,037
Workshop & conferences	539	132	1,097		1,768
Capital outlay	995	-	-		995
Miscellaneous	<u>789</u>	<u>288</u>	<u>917</u>	<u>-</u>	<u>1,994</u>
TOTAL EXPENDITURES	259,487	27,620	137,297	4,367	428,771
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,737)</u>	<u>4,811</u>	<u>(109,749)</u>	<u>1,693</u>	<u>(114,982)</u>
OTHER FINANCING SOURCES (USES):					
Fund transfers in			112,000		112,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>(11,737)</u>	<u>4,811</u>	<u>2,251</u>	<u>1,693</u>	<u>(2,982)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>59,249</u>	<u>18,394</u>	<u>4,203</u>	<u>133,948</u>	<u>215,794</u>
FUND BALANCE AT END OF YEAR	<u>\$ 47,512</u>	<u>\$ 23,205</u>	<u>\$ 6,454</u>	<u>\$ 135,641</u>	<u>\$212,812</u>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING DEBT RETIREMENT FUNDS**  
**BALANCE SHEET**  
June 30, 2008

	<u>2002 R DEBT</u>	<u>2002 E DEBT</u>	<u>QZAB DEBT</u>	<u>2005 DEBT</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>					
Cash and equivalents	\$ 17,507	\$ 95,722		\$ 40,729	\$ 153,958
Investments	-	-	\$ 287,892	-	287,892
Due from other funds	-	-	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 17,507</u></b>	<b><u>\$ 95,722</u></b>	<b><u>\$ 287,892</u></b>	<b><u>\$ 40,729</u></b>	<b><u>\$ 441,850</u></b>
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>					
LIABILITIES:					
Due to other funds	-	-	-	-	-
FUND BALANCE:					
Fund balance	\$ 17,507	\$ 95,722	\$ 287,892	\$ 40,729	\$ 441,850
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b><u>\$ 17,507</u></b>	<b><u>\$ 95,722</u></b>	<b><u>\$ 287,892</u></b>	<b><u>\$ 40,729</u></b>	<b><u>\$ 441,850</u></b>



**KINGSTON COMMUNITY SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2008**

	<u>2002 R DEBT</u>	<u>2002 E DEBT</u>	<u>QZAB DEBT</u>	<u>2005 DEBT</u>	<u>TOTAL</u>
REVENUES:					
Local Sources:					
Property Taxes	\$ 77,492	\$ 256,654		\$ 178,344	\$ 512,490
Interest Income	378	1,906	\$ 455	747	3,486
Miscellaneous				-	-
State Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>77,870</u>	<u>258,560</u>	<u>455</u>	<u>179,091</u>	<u>515,976</u>
EXPENDITURES:					
Retirement of bonds	55,000	95,000		115,000	265,000
Interest on bonded debt	23,313	163,966		62,413	249,692
Fees	<u>338</u>	<u>524</u>	<u>-</u>	<u>400</u>	<u>1,262</u>
TOTAL EXPENDITURES	<u>78,651</u>	<u>259,490</u>	<u>-</u>	<u>177,813</u>	<u>515,954</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(781)</u>	<u>(930)</u>	<u>455</u>	<u>1,278</u>	<u>22</u>
OTHER FINANCING SOURCES (USES):					
Transfer from other funds			55,362	-	55,362
Transfer to other funds				-	-
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>-</u>	<u>55,362</u>	<u>-</u>	<u>55,362</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>(781) -</u>	<u>(930) -</u>	<u>55,817</u>	<u>1,278</u>	<u>55,384</u>
FUND BALANCES:					
Beginning of Year	<u>18,288</u>	<u>96,652</u>	<u>232,075</u>	<u>39,451</u>	<u>386,466</u>
End of Year	<u>\$ 17,507</u>	<u>\$ 95,722</u>	<u>\$ 287,892</u>	<u>\$ 40,729</u>	<u>\$ 441,850</u>

**KINGSTON COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BALANCE AT</u> <u>6/30/2007</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/2008</u>
GENERAL FUND ACTIVITIES	<u>\$ 5,661</u>	<u>\$ 12,613</u>	<u>\$ 14,186</u>	<u>\$ 4,088</u>
STUDENT ACTIVITIES	<u>\$ 52,980</u>	<u>\$ 110,305</u>	<u>\$ 106,361</u>	<u>\$ 56,924</u>

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT -2002 ISSUE**  
June 30, 2008

<b>PRINCIPAL DUE MAY 1</b>	<b>RATE</b>	<b>INTEREST DUE</b>		<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</b>	
		<b>MAY 1</b>	<b>NOVEMBER 1</b>	<b>JUNE 30</b>	<b>AMOUNT</b>
			\$ 11,496	2008	\$ 11,496
\$ 50,000	4.10	\$ 11,496	10,471	2009	71,967
40,000	4.20	10,471	9,631	2010	60,102
45,000	4.30	9,631	8,664	2011	63,295
50,000	4.40	8,664	7,564	2012	66,228
50,000	4.55	7,564	6,426	2013	63,990
50,000	4.55	6,426	5,264	2014	61,690
45,000	4.75	5,263	4,195	2015	54,458
55,000	4.85	4,195	2,862	2016	62,057
55,000	4.95	2,862	1,500	2017	59,362
60,000	5.00	1,500		2018	61,500
<u>\$ 500,000</u>		<u>\$ 68,072</u>	<u>\$ 68,073</u>		<u>\$ 636,145</u>

The total amount of original issue was \$900,000.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 2002E ISSUE**  
June 30, 2008

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
			\$ 80,544	2008	\$ 80,544
\$ 95,000	3.63	\$ 80,544	78,822	2009	254,366
100,000	3.63	78,822	77,010	2010	255,832
105,000	3.63	77,010	75,106	2011	257,116
110,000	3.80	75,106	73,016	2012	258,122
120,000	4.00	73,016	70,616	2013	263,632
125,000	4.00	70,616	68,116	2014	263,732
135,000	4.10	68,116	65,349	2015	268,465
140,000	4.40	65,349	62,269	2016	267,618
150,000	4.40	62,269	58,967	2017	271,236
165,000	4.40	58,967	55,339	2018	279,306
190,000	4.40	55,339	51,159	2019	296,498
200,000	4.55	51,159	46,609	2020	297,768
210,000	4.65	46,609	41,726	2021	298,335
220,000	4.70	41,726	36,556	2022	298,282
230,000	4.75	36,556	31,094	2023	297,650
240,000	4.75	31,094	25,394	2024	296,488
250,000	4.75	25,394	19,456	2025	294,850
260,000	4.80	19,456	13,216	2026	292,672
270,000	4.85	13,216	6,669	2027	289,885
275,000	4.85	6,669		2028	281,669
<u>\$ 3,590,000</u>		<u>\$ 1,037,033</u>	<u>\$ 1,037,033</u>		<u>\$ 5,664,066</u>

Bonds in the amount of \$3,940,000 were issued for the purpose of erecting, furnishing and equipping additions to Kingston Elementary School.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF QUALIFIED ZONE ACADEMY BONDS**  
June 30, 2008

The original amount borrowed during the year ended June 30, 2003 was \$1,000,000.

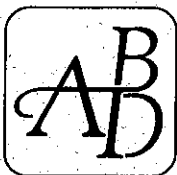
<u>DUE DATE</u>	<u>ESCROW DEPOSITS</u>
2008	\$ 55,362
2009	55,362
2010	55,362
2011	55,362
2012	55,362
2013	55,362
2014	55,362
2015	55,362
2016	55,362
2017	55,362
	<u>\$ 553,620</u>

Qualified zone academy bonds - 15 annual deposits of \$55,362 from November 1, 2003 through 2017 will be paid into a bank escrow account to accumulate at 2.6% with the entire principal amount of \$1,000,000 due November 1, 2017.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 2005 REFUNDING BONDS**  
June 30, 2008

<b>PRINCIPAL DUE MAY 1</b>	<b>RATE</b>	<b>INTEREST DUE</b>		<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</b>	
		<b>MAY 1</b>	<b>NOVEMBER 1</b>	<b>JUNE 30</b>	<b>AMOUNT</b>
			\$ 29,541	2008	\$ -
\$ 130,000	3.00	\$ 29,541	27,591	2009	189,082
145,000	3.25	27,591	25,235	2010	200,182
150,000	4.00	25,235	22,235	2011	200,470
150,000	4.00	22,235	19,235	2012	194,470
155,000	4.00	19,235	16,135	2013	193,470
165,000	4.00	16,135	12,835	2014	197,270
170,000	3.65	12,835	9,733	2015	195,670
170,000	3.65	9,733	6,630	2016	189,466
170,000	3.90	6,630	3,315	2017	183,260
170,000	3.90	3,315		2018	176,630
<u>\$ 1,575,000</u>		<u>\$ 172,485</u>	<u>\$ 172,485</u>		<u>\$ 1,919,970</u>

Bonds in the amount of \$1,820,000 were issued for the purpose of refinancing the 1996 bonds.



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

July 17, 2008

Board of Education  
Kingston Community Schools  
Kingston, Michigan 48741

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kingston Community Schools as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government and have issued our report thereon dated July 17, 2008. Our opinion is for the primary government only and not for the primary reporting entity. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kingston Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we considered to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement in the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiencies described as 2008-1, 2008-2, and 2008-3 in the accompanying schedule of findings and responses to be significant in internal control over financial reporting.

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Board of Education  
Kingston Community Schools  
July 17, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Kingston Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Kingston Community Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Kingston Community Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



July 17, 2008

To the Board of Education  
Kingston Community School  
Kingston, MI 48741

### **Schedule of Findings and Responses**

#### Findings considered significant deficiencies

##### **Finding 2008-1**

###### Criteria:

Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

###### Condition:

Currently, the District's staff requests the external auditor's assistance in the preparation of the annual financial statements and related footnotes.

###### Context:

External assistance is required to prepare the annual financial statements and related footnotes.

###### Effect:

Utilization of the external auditor in preparing the financial statements and related footnotes to the financial statements assists management with the external financial reporting responsibility, to ensure their financial statements are accurate.

###### Cause:

The staff of the district does understand all information included in the annual financial statements; however, assistance of the external auditor was utilized in preparing the financial statements and footnotes to the financial statements.

###### Recommendation:

At this time, we recommend no changes to this situation and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

July 17, 2008

To the Board of Education  
Kingston Community School  
Kingston, MI 48741

### **Schedule of Findings and Responses**

#### Findings considered significant deficiencies

##### **Finding 2008-2**

###### Criteria:

Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

###### Condition:

Due to the limited number of staff, many critical duties are combined and given to the available staff and/or board members.

###### Context:

Internal controls are weakened due to the lack of segregation of duties.

###### Effect:

Other staff members and/or board members must be utilized in order to achieve good internal controls.

###### Cause:

The district doesn't have enough staff in the business office to have a proper segregation of duties.

###### Recommendation:

At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

July 17, 2008

To the Board of Education  
Kingston Community School  
Kingston, MI 48741

### **Schedule of Findings and Responses**

#### Findings considered significant deficiencies

##### **Finding 2008-3**

###### Criteria:

The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charged for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".

###### Condition:

The District did not complete the time certifications required for the employees working solely on a single Federal award or cost objective.

###### Context:

Salaries and wages charged to the program could be disallowed.

###### Effect:

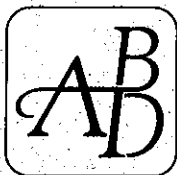
Proper documentation of time spent by full time employees is not being completed.

###### Cause:

The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.

###### Recommendation:

The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

## Certified Public Accountants

---

Gary R. Anderson, CPA  
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Jamie L. Peasley, CPA  
Timothy Franzel

Robert L. Tuckey, CPA

July 17, 2008

To the Members of the Board  
Kingston Community Schools

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Kingston Community Schools for the year ended June 30, 2008, and have issued our report thereon dated July 17, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 15, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the internal control of Kingston Community Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Kingston Community Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However the objective of our tests was not to provide an opinion on compliance with such provisions.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 15, 2008.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Kingston Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$103,549. We evaluated the key factors and assumptions used to develop the estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 17, 2008.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Members of the Board  
July 17, 2008  
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*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Kingston Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.  
Certified Public Accountants